

## Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 /018 W

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R 171240Z MAR 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 6104

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EO 11652: NA

TAGS: BEXP, IR

SUB: AMERICAN MEDICORP

REF: STATE 062614

DCM MET WITH MINISTER OF HEALTH AND SOCIAL WELFARE DR. SHAIKHOESLAMIZADEH, UNDERSECRETARY OF HEALTH ASSAR, AND TWO OTHER OFFICIALS OF THE MINISTRY AFTERNOON OF MARCH 16. THE PRINCIPAL POINTS THE MINISTER AND HIS ASSOCIATES MADE WERE AS FOLLOWS:

1. THE CONTRACT THE GOI HAS WITH MEDICORP CALLS FOR MEDICORP TO DEVELOP A HOSPITAL(S) PROJECT WITH SUFFICIENT DOCUMENTATION, SPECIFICATIONS, AND DETAILS TO ENABLE THE GOI TO USE IT TO SOLICIT INTERNATIONAL BIDS THE CONTRACT ALSO PROVIDED AN ALTERNATIVE FOR THE GOI AND MEDICORP TO ENTER INTO DETAILED NEGOTIATIONS TO IMPLEMENT MEDICORP'S PROPOSAL IF THE GOI WISHED TO DO SO. ACCORDING TO THE MINISTER, MEDICORP HAS FAILED TO MEET ITS OBLIGATION. IRAN'S HOSPITAL PROGRAM HAS CONSEQUENTLY BEEN SET BACK AND ITS COSTS HAVE RISEN BECAUSE OF THESE DELAYS. THIS IS THE BASIS FOR THE GOI'S POSITION IN ITS LETTER TO MEDICORP THAT IT MAY CLAIM DAMAGES.

2. THE COST ESTIMATES MEDICORP PROVIDED WERE OUTRAGEOUS. SPECIFICALLY, THE MINISTER SAID THAT HE AND HIS ASSOCIATES WERE ALL EDUCATED IN THE UNITED STATES AND THEY WERE THOROUGHLY FAMILIAR WITH THE COSTS OF MEDICAL EQUIPMENT AND MACHINERY INCLUDED IN MEDICORP'S PROPOSAL.FURTHER,  
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THEY HAD ACCESS TO SUPPLIERS' CATALOGS AND THE BENEFIT OF

AMERICAN CONSULTANTS AND COMPETITIVE BIDDERS. WITHOUT SAYING SO IN SO MANY WORDS, THE MINISTER SEEMED TO FEEL THAT MEDICORP SEEMED TO BELIEVE THAT THE IRANIANS WERE A BUNCH OF UNINFORMED YOKELS WHO WOULD BE UNA BLE TO EVALUATE MEDICORP'S COST ESTIMATES WHICH WERE AT LEAST THREE TIMES WHAT THEY SHOULD BE.

3. WHEN QUERIED ABOUT THE \$50,000 PER BED UPPER LIMIT THE MINISTER ADVISED BRITISH AMBASSADOR PARSONS IRAN WOULD BE WILLING TO CONSIDER, THE MINISTER REPLIED THIS FIGURE WAS NEITHER FIRM NOR PARTICULARLY USEFUL AS A GUIDE. WHAT HE WAS TALKING ABOUT WAS THE SQUARE METER COST PER BED WHICH COULD, OF COURSE, VARY CONSIDERABLY WITH THE DIMENSIONS OF THE OVERALL PROPOSAL AND EQUIPMENT. THE POINT HE WISHED TO MAKE WAS MEDICORP ITSELF HAD AT ONE TIME MADE A PROPOSAL OF A \$40,000 PER BED PROJECT AND OTHER AMERICAN COMPETITORS HAD MADE SIMILAR PROPOSALS IN THE \$30,000-\$50,000 RANGE.

4. THE MINISTER SAID THAT HE WAS PREPARED TO RESUME DISCUSSIONS WITH MEDICORP PROVIDED MEDICORP WAS READY TO COME UP WITH THE KIND OF PROJECT PROPOSAL CALLED FOR IN THEIR CONTRACT WITH WORKING DRAWINGS, SPECIFICATIONS, ELEMENTS OF COST BREAKOUT AND EXPLANATION AND OTHER RELEVANT INFORMATION WHICH WOULD PERMIT THE GOI AND/OR BIDDERS TO EVALUATE THE PROPOSAL REALISTICALLY. IN THIS CONNECTION HE SAID THAT HE APPRECIATED THAT THE COSTS OF AN AMERICAN HOSPITAL IN IRAN MAY BE DIFFERENT FROM ONE IN THE US AND THAT THERE ARE VARIABLES BOTH UP AND DOWN WHICH AFFECT THE FINAL PRICE. THESE VARIABLES NEED TO BE SPELLED OUT IN DETAIL AND SHOULD TAKE INTO ACCOUNT LOCAL BUILDING COST STANDARDS WHICH ARE AVAILABLE FROM THE PLAN ORGANIZATION AND A LARGE NUMBER OF AMERICAN CONTRACTORS DOING BUSINESS IN IRAN. THE MINISTER ALSO SAID THAT BECAUSE THE US, BRITISH AND FRENCH PROPOSALS WERE UNACCEPTABLE, IRAN HAD GONE AHEAD ON ITS OWN WITH ITS 6,000-BED PROJECT AND THAT THE MONEY THE GOI HAD EARMARKED FOR THIS PROJECT WAS FULLY COMMITTED. ACCORDINGLY, ANY NEW PROPOSALS WOULD HAVE TO INCLUDE OUTSIDE FINANCING AND THAT THE COST OF THIS FINANCING COULD BE INCLUDED IN LIMITED OFFICIAL USE

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THE FINAL QUOTED PRICE.

5. THE MINISTER ALSO MADE THE POINT THAT IF MEDICORP RETURNS IT SHOULD NOT BE "THROUGH THE BACK DOOR" AND THAT MEDICORP SHOULD NOT TRY TO APPLY OUTSIDE PRESSURE AS IT HAD IN THE PAST. WHEN PRESSED FOR A FULLER EXPLANATION OF WHAT HE MEANT, THE MINISTER DELCINED TO PROVIDE DETAILS BUT LEFT THE IMPRESSION THAT MEDICORP WOULD KNOW

EXACTLY WHAT HE HAD IN MIND.

6. FINALLY, WITH RESPECT TO MEDICORP'S CLAIMS FOR WORK  
ALREADY COMPLETED, THE MINISTER ACKNOWLEDGED THAT IT IS  
ENTITLED TO COMPENSATION ALTHOUGH HE DID NOT AGREE  
SPECIFICALLY TO THE AMOUNT CLAIMED. INDEED, HE SAID IT  
WAS "OUR LEGAL POSITION" THAT IRAN IS ENTITLED TO DAMAGES  
FOR NON OR FAULTY PERFORMANCE.  
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